NOMINATIONS OF RALPH BALL, OF KANSAS, AND W. PROCTOR SCARBORO, OF NORTH CAROLINA, TO BE MEMBERS OF THE FEDERAL FARM CREDIT BOARD, FARM CREDIT ADMINISTRATION

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

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WEDNESDAY, DECEMBER 9, 1981

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 11:21 a.m., in room 324, Russell Senate Office Building, Hon. Jesse Helms (chairman) presiding.

Present: Senators Helms, Dole, Hayakawa, Zorinsky, and Melcher.

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. I think we might proceed while we are awaiting the arrival of the chairman. He was called to the White House this morning.

So, I would like to call Mr. Scarboro and Mr. Ball. Senator Helms will be along momentarily.

I'm in somewhat of a quandary here, with the chairman and my wife being from North Carolina, on who to introduce first. Since Mr. Ball is from Kansas, I think I'll stick with Kansas, if it's all right, Mr. Scarboro, until the chairman arrives and overrules that.

Mr. SCARBORO. All right.

Senator DOLE. I want to say, first of all, I've known Ralph Ball for a long time, and it's a pleasure, Ralph, to have you before the committee as the nominee for the Federal Farm Credit Board.

Ralph Ball is a native of Sterling, Kans., in the central part of our State. He operates a 2,100-acre farm, raising wheat, corn, and grain sorghum, and also a cattle operation. He has a long-standing interest and insight into the problems and opportunities facing agriculture, he has also been a director of the Kansas Association of Wheat Growers, chairman of the Kansas Wheat Commission, and vice president of Great Plains Wheat. Most recently Mr. Ball served as vice chairman of the board of Farmland Industries. Further recognition of his wide-ranging involvement in agricultural issues was reflected by his appointment as an observer during the Kennedy round of GATT negotiations in Geneva and as a member of the White House Confer[illegible]on Food, Health, and Nutrition.

As a full-time farmer, Ralph Ball is extremely knowledgeable on agricultural matters in general and farm credit in particular. He understands agriculture from the producer's viewpoint; in fact, as I noted, he was in the room yesterday as we were having the final session of what became an endurance contest on whether or not we are going to have a farm bill. We are still not certain, but at least we finished the conference.

So, I am pleased that we have an active producer who is going to become a member of the Board, and I can also say as a long-time friend of Mr. Ball that I know him to be well-qualified, a man of great integrity and impeccable credentials. I want the record to also show that Mrs. Ball is here, as is Mrs. Scarboro.

And now the chairman is here.

Mr. Chairman, I wasn't sure who to introduce first, with one nominee from Kansas and one from North Carolina, but I decided to go with the voter and introduce Mr. Ball first. [Laughter.]

Mr. BALL. I think if we had any doubt——

[Laughter.]

The CHAIRMAN. Well, it shows that we're running this thing like we're supposed to, then. [Laughter.]

I'm glad to see both of you gentlemen.

Senator DOLE. And I did indicate that I wanted to introduce Mr. Ball. I have a hearing in progress on medicare fraud, so if I may be excused.

The CHAIRMAN. Fine.

Senator DOLE. Thank you, Mr. Chairman.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. Well, thank you, Bob. We missed you down at the White House this morning. I appreciate very much your covering for me while I was getting back from Pennsylvania Avenue.

As Senator Dole has said, we have the nominations of Mr. Scarboro, a long-time, dear friend of mine, and Ralph Ball of Kansas—it goes without saying that Mr. Scarboro is from North Carolina—to be members of the Federal Farm Credit Board of the Farm Credit Administration.

Let the record show that the Federal Farm Credit Board is the top policymaking body for the Farm Credit Administration and the Cooperative Farm Credit System. The Board establishes regulations to implement the laws under which the System operates and also recommends legislative actions needed to fulfill the System's role as established by Congress of meeting the credit and related needs of the System's borrowers.

Twelve members of the Board, one from each credit district, serve on a part-time basis and are appointed by the President. The 13th member of the Board is appointed by the Secretary of Agriculture, and all members, of course, serve 6-year terms.

In making appointments to the Board, the President must consider the public interest, the welfare of farmers, a fair representation from the three banking groups of the System, and give special consideration to persons who are experienced in cooperative agricultural credit. I believe that these first two appointments to the

Farm Credit Board by President Reagan certainly meet these qualifications.

Copies of the background information on both of these gentlemen have been made available to the members of the committee, and without objection that material will be included in the record.[1]

As I said, I have known my friend Proctor Scarboro for many years, and I hope I don't overstate it when I say that our friendship has been very close and, certainly from my standpoint, a treasured friendship. We are from the same neck of the woods in North Carolina, and I've been long aware of his service to our State and Nation in many capacities.

Proctor, you have farmed all of your life, haven't you?

W. PROCTOR SCARBORO, MEMBER-DESIGNATE

Mr. SCARBORO. Yes, sir.

The CHAIRMAN. You cultivate, as I understand it, something over 200 acres of soybeans, tobacco, corn, and small grains.

Mr. SCARBORO. Yes, sir.

The CHAIRMAN. You have been associated with the tobacco market in Wilson for 30 years.

Mr. SCARBORO. Yes.

The CHAIRMAN. You served as sales manager of the Smith Tobacco Warehouse in Wilson since 1972.

Mr. SCARBORO. Yes.

The CHAIRMAN. Proctor Scarboro has made outstanding contributions to many agricultural organizations including the Production Credit Association. He is a charter member of the North Carolina Farm Bureau. And I spoke to that group yesterday, Proctor.

You served on the North Carolina Agricultural Stabilization and Conservation Service Committee from 1971 to 1973, and in 1973 you were appointed to the North Carolina State Highway Commission.

So, Bob Dole has had his pleasure in presenting his friend, and now I'm having the pleasure of presenting mine. So in my opinion, from many years of working with Proctor Scarboro, I believe he is going to make an outstanding member of the Federal Farm Credit Board and I am pleased to recommend him to the committee for confirmation.

Do either of you gentlemen have a statement you would like to make for the record?

RALPH BALL, MEMBER-DESIGNATE

Mr. BALL. If I have a statement to make, it would be that I have worked with farmers and ranchers all my life, hopefully for the benefit of farmers and ranchers, and I intend to continue that as long as I'm able.

The CHAIRMAN. Well, Bob Dole was telling me about you yesterday. He's sort of a one-man chamber of commerce for you. [Laughter.]

He was saying the same thing—that you are dedicated to the success of the American farmer. Farming happens to be our last

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[1] See p. 13 for the background information concerning Mr. Ball and p. 15 for the background information concerning Mr. Scarboro.

great lever in many respects, including foreign affairs. The ability of the American farmer to produce in abundance exceeds the ability of any other country on this Earth, and we have to keep it that way.

Well, I join Senator Dole in being very proud of you and welcoming you and congratulating you on that appointment, and complimenting the President for selecting you.

Mr. BALL. Thank you.

The CHAIRMAN. Proctor?

Mr. SCARBORO. Mr. Chairman, I would just like to say that I want to be a part of the Farm Credit Board, and I've had a lot of people encourage me to try to become a member. I'm very interested in young farmers in North Carolina and over the Nation, of course; I said North Carolina because that's where I'm from. Hopefully, I can be just one spoke in the wheel to help young farmers who are in financial difficulties to stay in the farming business if it is at all possible. And I know the Farm Credit Board operates on a sound foundation.

That is my main objective, I guess, for wanting to serve on the Federal Farm Credit Board.

The CHAIRMAN. I thank you both. Now I have a question that we are required by law to ask, and you are required by law to answer. Two questions, as a matter of fact: If your nomination is approved and reported out of this committee and confirmed by the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the U.S. Senate?

Mr. BALL. I do.

Mr. SCARBORO. I do.

The CHAIRMAN. Let the record show that each of the gentlemen responded in the affirmative.

The second question: If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any previous statement you may have made or biases that you may have had?

Mr. BALL. I will.

Mr. SCARBORO. I will.

The CHAIRMAN. Let the record show that both gentlemen responded in the affirmative.

Both of you have touched on what I'm about to ask, and I will raise two or three questions to give you an opportunity to amplify to whatever extent you wish. I would like each of you to describe your background in farming and your experience with the Farm Credit System as a farmer.

Mr. SCARBORO. Mr. Chairman, the Farm Credit System has been awfully good to me, has brought me to where I am, and I thank the good Lord that I'm above water.

The Farm Credit System has meant to me things that I can't hardly explain. In my community I know people who it's done so much for; it's got them on their feet, and I'm just so proud that I can't say.

I will also say that I have been a member of the Farm Credit System and FLB, and hopefully I can keep doing it some more.

Mr. BALL. Some of you folks aren't old enough to remember, but I remember back in the Depression days.

The CHAIRMAN. I thank you, sir, for saying that. [Laughter.]

Mr. BALL. My father owed $3,000 on a 160-acre farm, and it was on a short-term lending note, and he lost his farm. This was the time when Federal land banks became very important to our community.

I have worked very closely through local cooperatives which are an arm of farming. That is my particular background, in working with local and regional cooperatives, and it's very important to me that they be allowed to have the money at a competitive rate to continue farming, to continue their operations to support farming.

The CHAIRMAN. Proctor, I think it was you who mentioned the young farmers going into farming, hopeful that they may stay in farming in as great a number as may be possible.

Mr. SCARBORO. Yes, sir.

The CHAIRMAN. What would you like to see the Farm Credit System do for the young and beginning farmers?

Mr. SCARBORO. Well, Mr. Chairman, I would like to see them go the last mile, of course. The Farm Credit System is a system that is based on, I guess you could say, sound foundations. A young farmer has got to go that way in order to survive now. I think the Farm Credit System can maybe help out in other banks over the area and do right much to help this farmer, as long as it's not overdone. I think, Mr. Chairman, this thing is going to have to be done on an individual basis. I don't think you can go out and just say we'll do a percent of this or a percent of that. I don't feel it will work that way. It just breaks my heart to even hear talk of a younger man than myself having problems with his finances.

I believe that farm credit services in some cases can do him some good.

The CHAIRMAN. Mr. Ball, would you address yourself to this?

Mr. BALL. I think Farm Credit can help young farmers. And there is a real problem here, because Farm Credit is not soft credit. But I think we can work on an individual basis to help young farmers stay in business. The System has helped a lot of young farmers, and I think it can help some more in obtaining production credit for operating expenses and farm mortgages through the land bank.

It's pretty hard for a young farmer to start out today, and I don't believe a young farmer without some kind of backing either by inheritance or marriage, or something, can simply go out and buy land at the high price and high interest costs and make a success of it. But there are ways. For example, he can rent land or get involved in a partnership with an older farmer. Through wise use of credit and good management skills, I think entering individuals can still get started in farming.

The CHAIRMAN. I have a letter here from E. Morgan Williams, who is the president of the Cooperative League of the United States of America, in which he addresses himself to the nomination of Mr. Ball. Without objection, this letter will be inserted in the record.[1]

Senator Melcher.

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[1] See p. 19 for the letter from Mr. Williams.

STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM MONTANA

Senator MELCHER. Thank you, Mr. Chairman. I will start the same way that the Senator from Kansas did and talk to you first, Mr. Ball.

I was very much impressed with your service on the Kansas Association of Wheat Growers and the Great Plains and the Kansas Wheat Commission. I'm from Montana, another wheat-producing State though not nearly as big a production as you people in Kansas have. We are all appreciative of the people who are in the wheat growing business that will serve on these boards, representing the best interest of all of us who are interested in wheat, and I guess that helps the entire country, too, the amount of wheat that we do produce.

I'm also impressed that both of you—you, too, Mr. Scarboro—have served in many instances in public service, whether it's a school board, in your case, Mr. Ball, on the college executive board there, or in Mr. Scarboro's case on the ASCS committee. All of these things I think are very commendable, including your Republican Party activities, sir.

Mr. SCARBORO. Thank you, sir. [Laughter.]

Senator MELCHER. Those of us in the political process are very much in favor of people being in the grassroots political activities, and your record shows that. It's very commendable. And I want to state that I'm very much in support of both of your nominations.

I do have one question, and it rather follows up what Chairman Helms was asking about young farmers. For this fiscal year and perhaps for the next couple of fiscal years many of the Farmers Home Administration credit programs are being reduced. The Department of Agriculture officials tell us that the Farm Credit System can serve the credit needs of many present farmers who are borrowing money from the Farmers Home Administration. They are also, as you know, all ages.

Do you feel that the Farm Credit System can pick up perhaps some of the shortfalls that will be present when the funds for Farmers Home Administration are cut down.

I appreciate very much what you said, Mr. Scarboro, you look at this case by case. Indeed, that's absolutely right; but do you feel that it can work this way? Do you think there is some possiblity that regardless of whether it is a young farmer, or whoever it is, that if the Farmers Home Administration has to cut some borrowers, the Farm Credit System may have the opportunity and may have the credit resources to pick up some of those people?

Mr. SCARBORO. I think that is true, Senator. It goes back, again, to an individual basis.

Senator MELCHER. I confirm it, then.

Mr. SCARBORO. I think so.

Senator MELCHER. Do you feel the same way, Mr. Ball?

Mr. BALL. I feel the same way. There are people who graduate, we might say, from the Farmers Home Administration loans, and I think for those who graduate, there is no reason why Farm Credit can't at least take a look at them and, hopefully, pick them up.

Senator MELCHER. I hope that there is some opportunity that way. I mean, we may be entering a period of tough credit transfer.

On behalf of Senator Huddleston, who cannot be here, I would like to submit some questions to you now in writing and then have the answers for the record.[1]

It will give them something to do over the weekend. [Laughter.]

The CHAIRMAN. Thank you, gentlemen.

Senator Hayakawa?

Senator HAYAKAWA. Thank you, Mr. Chairman.

STATEMENT OF HON. S. I. HAYAKAWA, A U.S. SENATOR FROM CALIFORNIA

Senator HAYAKAWA. I would like to ask my questions of both of you. Whoever wants to answer first can go right ahead.

The Farm Credit Administration has oversight over Federal land banks, the Federal intermediate credit banks, and banks for cooperatives. Are those the principal bodies?

Mr. BALL. Yes, they are.

Senator HAYAKAWA. The Federal land banks make long-term loans on farm or rural real estate through local Federal land bank associations, and Federal intermediate credit banks provide short intermediate-term loan funds to production credit associations and other institutions, but institutions financing farmers, ranchers and homeowners as the Federal intermediate credit bank do not lend directly to the rural homeowner or the rural rancher or the farmer but to the credit institutions that support them. Is that correct? And banks for cooperatives lend to cooperatives, not directly to the farmer?

Mr. BALL. That's right.

Mr. SCARBORO. That's correct.

Senator HAYAKAWA. But is the Federal land bank, then, is that the only one that lends directly to the farmer?

Mr. BALL. I believe that's right. Yes.

Mr. SCARBORO. PCAs, also, lend directly to farmers.

Senator HAYAKAWA. Then what are these home loan banks?

Mr. BALL. What, the Federal Home Loan?

Senator HAYAKAWA. Yes.

Mr. BALL. That's an arm of the Government. That's a Federal agency.

Senator HAYAKAWA. Yes. But does that come under this?

Mr. BALL. No.

Mr. SCARBORO. No.

Senator HAYAKAWA. That's separate?

Mr. BALL. It's completely separate.

Senator HAYAKAWA. How does that come about, historically?

Mr. BALL. Well, I'd have to think about the history of farm credit.

Senator HAYAKAWA. It escapes your jurisdiction?

Mr. BALL. Yes. In 1967, I believe, the Farm Credit System became independent of Government finances, and their finances are completely separate from Government finances. System institu-

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[1] See p. 17 for a question from Senator Huddleston of Mr. Ball and his answer thereto.

tions are regulated and supervised by a Federal agency, the Farm Credit Administration, but there is no Government money involved in the Farm Credit System. Farm Credit goes to the money market and buys its money and loans it to farmers. The Federal Home Loan Bank Board is an arm of the Government. So they're two different organizations, two different lending institutions.

Senator HAYAKAWA. And they are independently apart from Agriculture?

Mr. BALL. The Farm Credit System is independent of the Department of Agriculture. I would suppose that the Federal Home Loan is connected with a Department of the Federal Government.

Mr. SCARBORO. Yes.

Senator HAYAKAWA. Does anybody want to specify?

Mr. SCARBORO. Somebody else maybe could do that. I don't know.

Mr. BALL. I need a chart. [Laughter.]

The CHAIRMAN. Professor Hayakawa is conducting a test, now.

Senator HAYAKAWA. I am not.

Mr. SCARBORO. You may have somebody here who can answer that, Senator. I can't answer it, because I'm not sure.

Mr. JAENKE. The Home Loan Bank Board sir, works closely with the Department of Housing and Urban Development, but it too is an independent agency. It supervises the Federal Savings and Loan Associations and their 12 regional home loan banks.

Senator HAYAKAWA. I see.

Mr. JAENKE. The Presidentially appointed Home Loan Bank Board appoints 6 of the 14 to 16 members of the regional home loan bank boards. So they are, as I think Mr. Ball and Mr. Scarboro said, they are much more intricately tied into the Federal Government and to the Federal Government's programs than is the Farm Credit System and the Farm Credit Banks which are independent and privately owned.

Senator HAYAKAWA. Thank you ever so much.

Another question. In my travels through California, I often encounter officers of such great banks as Wells Fargo and the Bank of America. And in their branches in Fresno, Bakersfield, Sacramento, and various rural localities, they are very proud of the amount of loans they have out to the farmers. Where is the line at which one makes the choice between turning to, let us say, the Federal land banks for loans or turning to the Bank of America or Wells Fargo for a loan?

Mr. BALL. Well, I would like to think that the Federal land bank has brought the completely private sector of banking into a little more competitive state. There were years that the local banks and the big banks had a complete monopoly. They could loan without any competition. Now they have competition, and they are very competitive.

Senator HAYAKAWA. Well, were these formed, then, to loan directly to the farmer as to some degree of protection against banks that were seen as predatory or overcharging, having a monopoly on this loaning?

Mr. SCARBORO. I don't think that it was intended that way.

Senator HAYAKAWA. It was not intended that way?

Mr. SCARBORO. Not that way. I think, Senator, it was more or less intended to help the farmer spread out his obligations. I don't know, Ralph. Correct me, if you think I'm wrong.

Mr. BALL. That's it.

Mr. SCARBORO. More or less, when you borrowed money, I think, from the way you are trying to explain it, that was a loan that probably wouldn't last 3 years at the most, and most of the time 1 year; and we are talking about long-term credit when we are talking about, maybe, a 7-year period, from PCA's in particular, and for Federal land banks, of course, up to 30 years, spreading your payments out.

Senator HAYAKAWA. So they offer him different types of loans?

Mr. SCARBORO. Right. This is a different type. Don't you think so?

Mr. BALL. Yes. The PCA's are operating loans for farmers, and the Federal land banks for real estate.

Senator HAYAKAWA. I see.

Now, interest rates have been very high in recent times, just in the last 2 years, especially. How has this affected the operation of the Farm Credit System? It's been just as tough for you as it has been for the major banks, has it not?

Mr. SCARBORO. That's right.

Senator HAYAKAWA. And if the interest rates continue to fluctuate, is the Farm Credit System prepared to deal with these fluctuations?

Mr. SCARBORO. I'm just not that up to date to answer that. I'd have to look around and ask somebody else who has been in it longer than I have, Senator. I don't know.

Mr. BALL. They do tend to level out the interest costs. Probably, more, they don't fluctuate quite as fast as the banks do.

Senator HAYAKAWA. We see no mention here of the banks for cooperatives. The bank for consumer cooperatives does not come under this, does it?

Mr. BALL. I am sure that it doesn't.

Senator HAYAKAWA. Offhand, where does that go? Do you happen to know, Mr. Chairman?

The CHAIRMAN. I'm getting a lesson in the bureaucracy, myself. Can anybody answer that question?

Mr. JAENKE. It's a separate institution, and not directly involved with the Cooperative Farm Credit System.

Senator HAYAKAWA. Yes, I see. So, what department of the Government has oversight over the banks of consumer cooperatives?

Mr. JAENKE. The General Accounting Office has been asked by the Congress to conduct audits and to provide reports to the Congress on the activities of the National Consumer Cooperative Bank.

Senator HAYAKAWA. I see. Thank you very much.

Well, I think I have no further questions. When we come to a confirmation situation of this kind, I always try to contribute to my own education by using the confirm-sword: What do you do when you get there?

Mr. SCARBORO. Yes, sir.

Senator HAYAKAWA. And what is the responsibility developed in that office. I thank you, Mr. Chairman. And thank you, gentlemen.

The CHAIRMAN. It has been very useful to a lot of us, Senator.

Mr. SCARBORO. Thank you.

The CHAIRMAN. Senator Zorinsky, the distinguished Senator from Nebraska.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

Senator ZORINSKY. Thank you, Mr. Chairman.

I want to welcome you gentlemen to the hearing, and I certainly hope you are successful in adding your talents to the Farm Credit System. Prior to an event occurring during the elections last November, I was the chairman of the Subcommittee on Farm Credit and Rural Electrification; so that's why I have a very strong feeling concerning the Farm Credit System.

I would like to compliment you, gentlemen, on your past experience in addition to complimenting the President on your selections because, finally, I think we have some people who have some background and expertise in the area of agriculture serving in germane positions that will enable the producers, for a change, to benefit from the experiences you have had during your lifetimes.

I would just like to ask a question. Since the Farm Credit Administration has been given a mandate from the Congress to allow greater access by banks to Federal intermediate credit bank discounting privileges under the Farm Credit Amendments Act, do you see this as helping a significant number of farmers obtain operating credit that they need, for the banks to have a greater access to the so-called discount windows?

Mr. BALL. I guess I would have to say that I'm not familiar with the operation of it, and I'll try to get an answer for you, if you desire one.

Senator ZORINSKY. Fine. If I could just submit it in writing, I'd like to have that question answered.

[The following reply from Mr. Ball was received by the committee:]

I certainly hope so—at least in the long run. At present, the amount provided to other financial institutions by FICB's is relatively small when compared to the total amount outstanding. However, the Farm Credit Act Amendments of 1980 should and I believe will make an important difference. I am told that the Farm Credit Administration is committed to implementing the 1980 Amendments in a way which will ensure that community banks in rural areas which have a proven need for funds and commitment to agriculture will obtain access to the FICB discount facility. If commercial banks respond positively to this opportunity, I believe that agricultural producers will be the long term beneficiary.

Senator ZORINSKY. Gentlemen, I have no other questions other than to tell you: The best of everything, and God speed.

You know, when you deal with credit—I'm from a business background and not an attorney or anything like that, but my father told me a long time ago that you don't sober up an alcoholic by giving him more liquor, and you don't get somebody out of debt by lending them more money. You get him out of debt by allowing him to make a profit so he can pay off his debts and sustain his enterprise. So I can see that this System is one that is a fiscal conservative and a financially responsible System, and I think that's why it's gained the respect of the farmers of this country. And I hope you'll add to maintaining that symbol of respect, because the Farm Credit System has come a long way. Unfortunate-

ly, many Americans aren't aware of the fact that it's self-sustaining, that we don't go rob the Treasury for the funding of that System. So I want to compliment you for attaining this position. If there is any way I can help you, please feel free to call upon me.

Thank you, Mr. Chairman.

Mr. BALL. Thank you.

Mr. SCARBORO. Thank you, Senator.

The CHAIRMAN. Thank you, Senator Zorinsky.

I might say to our friend, we have sort of a Tammany here on this committee. We don't fuss and fight all that much. Once in a while we have to debate issues, and sometimes we are contrary to one another, but I will say that Senator Zorinsky and I took a little trip together not long ago. And he came back and said he had some good news and some bad news. He found a city where all the service stations were selling gasoline; if you wanted regular it was 16 cents a gallon, and if you wanted unleaded high test it was 26 cents a gallon. He said that's the good news. The bad news was that it was Caracas, Venezuela. [Laughter.]

But I enjoyed my service with all the members of the committee.

Since it does not appear, obviously, that we will have a quorum this morning, I would suggest to the staff that they notify the members of the committee so that we can get a quorum somewhere off the Senate floor this afternoon. I suggest room S234. We are going to have a rollcall, Sam, at 2 p.m. And immediately after that we can have a gathering of the brethren and report out these two nominations. The nominations would be reported, however, subject to your responding to the written questions that you have already received or questions that you may receive.

I believe that's all the business we have. I want to thank the distinguished Senator from California, but I'm going to do that in an unusual way. I would like for Mrs. Ball and Mrs. Scarboro to come up here for just a minute, if they will.

Ed, I don't know whether you've met these ladies or not. Senator Zorinsky.

Senator ZORINSKY. I am very glad to meet you. It's a pleasure.

Senator HAYAKAWA. I have had the pleasure.

The CHAIRMAN. If you all will jointly hold that gavel and hit that thing, you will recess the meeting for today, the confirmation of your respective husbands. [Applause.]

[Whereupon, at 11:56 a.m., the committee adjourned, subject to call of the Chair.]

COMMITTEE NOTE.—December 9, 1981—The nominations of Messrs. Ball and Scarboro were reported to the Senate and the nominees were confirmed.

APPENDIX

OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., September 25, 1981.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Under the Ethics in Government Act of 1978 ["the Act"], those Presidential nominees requiring Senate confirmation who are not expected to actually serve in their respective Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, however, does contain a provision in section 201(b) which allows the Committee holding the confirmation hearing to request any additional financial information it may wish from the nominee. You have indicated in the past that your Committee would like to have a financial disclosure report (SF 278) from any prospective nominee for the Federal Farm Credit Board. Ralph H. Ball's nomination as a member of the Federal Farm Credit Board has now been sent to you by President Reagan. Because Mr. Ball is not expected to serve more than 60 days in any calendar year, his enclosed report and this letter are submitted to you in accordance with your Committee's confirmation procedures and will be available for public inspection only to the extent provided for by your practices. There is no authority under the Act for public release of this material by the Executive branch.

We have reviewed the report at your request and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of the Board's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Ball is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER, *Director.*

Enclosure.

FARM CREDIT ADMINISTRATION,
Washington, D.C., October 2, 1981.

GEORGE S. DUNLOP,
Chief of Staff, Senate Committee on Agriculture, Nutrition and Forestry,
Washington, D.C.

DEAR MR. DUNLOP: On behalf of Mr. Ralph Ball, the President's nominee for appointment to the Federal Farm Credit Board, we are pleased to provide 100 copies of the following:

1. Farm Credit Administration's letter to the White House, dated December 3, 1980, transmitting the names of the nominees to fill vacancies on the Federal Farm Credit Board.
2. Bio on Mr. Ball.
3. Confidential questionnaire covering Mr. Ball's personal affairs.

Please let us know if we can do anything further to help.

Sincerely,

KENNETH J. AUBERGER,
Secretary, Federal Farm Credit Board.

Attachments.

FARM CREDIT ADMINISTRATION,
Washington, D.C., December 3, 1980.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a list of individuals, selected through three official nominating polls, for your consideration in filling two vacancies on the Federal Farm Credit Board. The list has been certified by Governor Donald E. Wilkinson of the Farm Credit Administration as consisting of six persons, three of whom have been designated by authorized nominating groups in the Third Farm Credit District, and three by such groups in the Ninth Farm Credit District. These designees were selected by the procedures prescribed in section 5.8 of the Farm Credit Act of 1971 (Public Law 92-181), which continues the procedures provided for in the Farm Credit Act of 1953 (Public Law 202).

The Farm Credit Act of 1953 established the Farm Credit Administration as an independent agency and provided for a part-time Federal Farm Credit Board of 13 members to direct, supervise, and control the Farm Credit Administration. Twelve of these members, one from each of the Farm Credit Districts, are appointed by the President with the advice and consent of the Senate. The 13th member, known as the Secretary's representative, is designated by and serves at the pleasure of the Secretary of Agriculture.

The 1953 Act provided for staggered terms to permit the President's appointment of two new members each year. The Farm Credit Act of 1955 (Public Law 347) established that the term of office shall begin on the first day of April and expire 6 years later on March 31.

Under these provisions of the law, the terms of office of the following two members of the Federal Farm Credit Board will expire on March 31, 1981, and their successors are to be appointed for a term of 6 years beginning April 1, 1981:

Mr. David C. Waldrop of Newberry, South Carolina, appointee from the Farm Credit District No. 3, Columbia, South Carolina, and a nominee of the production credit associations in that District. District No. 3 includes the States of North Carolina, South Carolina, Georgia and Florida.

Mr. Ralph N. Austin of Westcliffe, Colorado, appointee from the Farm Credit District No. 9, Wichita, Kansas, and a nominee of the Federal land bank associations in that district. District No. 9 includes the States of Oklahoma, Kansas, Colorado and New Mexico.

The Farm Credit Act of 1971 provides that the President, in making appointments to the Federal Farm Credit Board, "shall have due regard to a fair representation of the public interest, the welfare of all farmers, and the types of institutions constituting the Farm Credit System, with special consideration to persons who are experienced in cooperative agricultural credit, taking into consideration the lists of nominees proposed by the Farm Credit System . . ." These nominations are made by groups of farmer-borrowers through their Federal land bank associations, production credit associations, and the borrowing cooperatives of the district.

The list contains the names and addresses of the three candidates in each of these two districts along with identification of the groups that nominated them. Also enclosed is biographical data developed by the Farm Credit Administration for each of the candidates. If you desire further information about any nominee, we will gladly provide it.

Respectively,

RALPH N. AUSTIN,
Chairman, Federal Farm Credit Board.

Enclosures.

ABSTRACT OF INFORMATION FURNISHED BY CANDIDATE FOR DESIGNATION AS NOMINEE FOR CONSIDERATION BY THE PRESIDENT FOR APPOINTMENT AS A MEMBER OF THE FEDERAL FARM CREDIT BOARD

Ralph Ball, 116 West Adams, Sterling, Kans. 67579, Phone 316-278-2260.

Age and education.—Born January 18, 1916 in Stafford, Kans. Graduate of Sterling High School; attended Sterling College for 3 years.

Occupation.—Farmer. Operates a 2,100-acre corn, milo, wheat, and alfalfa farm; also has 1,000 calves for feedlot to packinghouse, in partnership with son.

Affiliation.—Vice Chairman of Board, Farmland Industries, Inc.; Executive Board, Sterling College; Elder, United Presbyterian Church; and Board Member, Far Mar Co, Inc. and Farmland Insurance.

Former affiliation.—Director, Kansas Association of Wheat Growers; Board President, Great Plains Wheat; Board Chairman, Kansas Wheat Commission, Sterling High School Board, and Farmers Cooperative of Sterling.

Observer, Kennedy Round G.A.T.T. Negotiations at Geneva. Member, White House Conference on Food, Health and Nutrition. Master Farmer.

CONFIDENTIAL QUESTIONNAIRE FOR NOMINEES TO THE FEDERAL FARM CREDIT BOARD

Question 1. Have you ever been disciplined or cited for a breach of ethics or unprofessional conduct by, or been the subject of a complaint to, any court, administrative agency, professional association disciplinary committee, or other professional group? If so, give full details.

Answer. No.

Question 2. Have you ever been involved in civil litigation, or administrative or legislative proceedings of any kind, either as plaintiff, defendant, respondent, witness or party in interest, which may be appropriate for consideration by this Committee? If so, give full details

Answer. No.

Question 3. Name all offices with a political party held during the past 10 years. Name any public office for which you have been a candidate during the past 10 years.

Answer. None.

Question 4. Without details, is there or has there been anything in your personal life which you feel, if known, may be of embarrassment to the Administration? What about any near relative?

Answer. None.

Question 5. Describe any business relationship, dealing or financial transaction which you have had during the past 5 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position for which you have been nominated.

Answer. None.

OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., November 17, 1981.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Walter Proctor Scarboro, who has been nominated by President Reagan for the position of member of the Federal Farm Credit Board.

We have reviewed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of the Administration's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Scarboro is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER, *Director.*

Enclosure.

To: Charles R. Rowe, Director, Personnel Division (Designated Agency Ethics Official), Farm Credit Administration.
From: W. Proctor Scarboro.
Subject: Amendment to financial disclosure report.

I have previously submitted a Financial Disclosure Report pursuant to the Ethics in Government Act. In my report, I disclosed that I have an interest in a tobacco enterprise in North Carolina. I understand that this interest is considered to be a financial relationship which is subject to the restrictions of 18 U.S.C. 208(a).

This is to inform you that I have divested myself of this interest and that it should be eliminated as an active disclosure on Schedule A of the aforementioned report. Please feel free to contact me for any further explanation that may be necessary.

Reviewed: W. Proctor Scarboro, November 5, 1981.
Reviewed by: Charles R. Rowe, November 13, 1986.

FARM CREDIT ADMINISTRATION,
Washington, D.C., November 17, 1981.

GEORGE S. DUNLOP,
Chief of Staff, Senate Committee on Agriculture, Nutrition and Forestry, Washington, D.C.

DEAR MR. DUNLOP: On behalf of Mr. W. Proctor Scarboro, the President's nominee for appointment to the Federal Farm Credit Board, we are pleased to provide 100 copies of the following:

1. Farm Credit Administration's letter to the White House, dated December 3, 1980, transmitting the names of the nominees to fill vacancies on the Federal Farm Credit Board.
2. Bio on Mr. Scarboro.

Please let us know if we can do anything further to help.

Sincerely,

KENNETH J. AUBERGER,
Secretary, Federal Farm Credit Board.

Attachments.

FARM CREDIT ADMINISTRATION,
Washington, D.C., December 3, 1980.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a list of individuals, selected through three official nominating polls, for your consideration in filling two vacancies on the Federal Farm Credit Board. The list has been certified by Governor Donald E. Wilkinson of the Farm Credit Administration as consisting of six persons, three of whom have been designated by authorized nominating groups in the Third Farm Credit District, and three by such groups in the Ninth Farm Credit District. These designees were selected by the procedures prescribed in Section 5.8 of the Farm Credit Act of 1971 (Public Law 92-181), which continues the procedures provided for in the Farm Credit Act of 1953 (Public Law 202).

The Farm Credit Act of 1953 established the Farm Credit Administration as an independent agency and provided for a part-time Federal Farm Credit Board of thirteen members to direct, supervise, and control the Farm Credit Administration. Twelve of these members, one from each of the Farm Credit Districts, are appointed by the President with the advice and consent of the Senate. The thirteenth member, known as the Secretary's representative, is designated by and serves at the pleasure of the Secretary of Agriculture.

The 1953 Act provided for staggered terms to permit the President's appointment of two new members each year. The Farm Credit Act of 1955 (Public Law 347) established that the term of office shall begin on the first day of April and expire six years later on March 31.

Under these provisions of the law, the terms of office of the following two members of the Federal Farm Credit Board will expire on March 31, 1981, and their successors are to be appointed for a term of six years beginning April 1, 1981:

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Mr. Ralph N. Austin of Westcliffe, Colorado, appointee from the Farm Credit District No. 9, Wichita, Kansas, and a nominee of the Federal land bank associations in that district. District No. 9 includes the States of Oklahoma, Kansas, Colorado and New Mexico.

The Farm Credit Act of 1971 provides that the President, in making appointments to the Federal Farm Credit Board, "shall have due regard to a fair representation of the public interest, the welfare of all farmers, and the types of institutions constituting the Farm Credit System, with special consideration to persons who are experienced in cooperative agricultural credit, taking into consideration the lists of nominees proposed by the Farm Credit System . . ." These nominations are made by groups of farmer-borrowers through their Federal land bank associations, production credit associations, and the borrowing cooperatives of the district.

The list contains the names and addresses of the three candidates in each of these two districts along with identification of the groups that nominated them. Also enclosed is biographical data developed by the Farm Credit Administration for each of

the candidates. If you desire further information about any nominee, we will gladly provide it.

Respectfully,

RALPH N. AUSTIN,
Chairman, Federal Farm Credit Board.

Enclosures.

W. PROCTOR SCARBORO, ROUTE 4, ZEBULON, N.C.

Born: Feb. 23, 1916, Wake County, N.C.

Parents: B. C. and Mamie Scarboro.

Married: 44 years to the former Josephine C. Ferrell.

Education: Wake County School System; Graduated Wakelon High 1936.

Employment: Farmer for lifetime, cultivating 205 acres of owned and rented lands—65 acres of tobacco; 100 acres of soybeans; 40 acres of corn and small grains.

Management and supervisory duties of farm operations with 20 to 25 personnel. Buying, planting, cultivating, harvesting and sell of all farm products.

Thirty years experience working on the Wilson, North Carolina Tobacco Market in sales of tobacco. Since 1972 worked as Sales Manager of Smith Warehouse in Wilson. Duties include the management of 30-25 employees in the marketing of tobacco for sale; meeting and understanding the needs of farmers and farming interests throughout the State of North Carolina.

Production Credit Association: Active in the organization and promotion of this group since its inception over 40 years ago in this state. Served not only as a member, stockholder, and borrower in good standing of this organization but also as a member of the Nominating Committee. Other interests have prevented me from holding office, however have been able to exercise influence over direction and leadership of the organization through service on the Nominating Committee.

Farm Bureau of North Carolina: Charter member of this group in Wake County. Promoting membership in this organization throughout the State of North Carolina by virtue of connections with other farmers in the Warehouse Business.

North Carolina Department of Transportation—1973-77: Appointed by Gov. James Holshouser to the State Highway Commission in 1973. Served on Policy Committee which established priorities and guidelines in the transition from the N.C. Highway Commission to the Department of Transportation. Priorities were re-established according to need rather than political considerations.

North Carolina Department of Transportation: Emphasis given to the need for completion of the Capital City beltline-bypass which is reaching fulfillment at the present time, several years after my term expired. Emphasis given to the need for the dual laning of Highway 64 East from Raleigh to Wilson, which was completed during my term, serving all people of Eastern North Carolina. Policies and procedures set up by the Policy Committee are still being used to govern the Department of Transportation today.

State A.S.C.S. Committee: Appointed in 1971 to one of five positions on the State A.S.C.S. Committee. Conducted hearings regarding allotments and other farm related problems on statewide basis. Resigned in 1973 to accept appointment to N.C. Highway Commission.

Acting Postmaster: Appointed acting Post Master of the Zebulon Post Office in 1960.

Republican Party Activities: Served as Precinct Chairman for Little River-Zebulon Precinct for 40 years; on the Wake County Executive Committee for 30 years; and the N.C. Executive Committee for 30 years. Offered myself for public office as candidate for Wake County Commissioner on three occasions, winning moral victory on each occasion. Supported the Republican Party with my time, labors, and monies for many years. Lobbied on behalf of farming interests and causes with our Representatives in Raleigh and Washington, D.C. on many occasions. Served on Advisory Committees for various Republican candidates over the years.

Wakefield Central Baptist Church: Member since 1943. Served several terms on both the Board of Trustees and the Board of Deacons. Served as President of the Men's Bible Class for nearly 40 years.

Civic Activities: Member of White Stone Masonic Lodge for 35 years. Member Zebulon Shrine Club. Master Mason and Shriner.

QUESTION SUBMITTED BY SENATOR HUDDLESTON FOR MR. BALL AND ANSWER THERETO

Question. A General Accounting Office Report released last January recommended that the Farm Credit Board establish a permanent, independent internal audit

unit within the Farm Credit Administration. GAO's concern was that existing audit procedures were not independent and therefore did not meet professional internal audit standards. Would you comment on that GAO recommendation?

Answer. After talking with Governor Wilkinson, I understand that, although the Farm Credit Administration has been satisfied in the past with the internal audit accounting of its Office of Examination, it is establishing an internal audit unit at an appropriate level in the Agency. Initially, that unit will most likely consist of one person reporting to a senior official in the Office of the Governor.

Inquiries From Senator Nunn of W. Proctor Scarboro, and His Replies Thereto

This is not a question, but it is a matter of concern to Senator Nunn, and I ask that you look into this problem and report your findings to the Committee.

In an effort to reduce the effect of government lending on the economy, the Farmers Home Administration is willing to subordinate its claim to a farmer's security if another lender requires that security in order to make a loan. Despite the commendable effort on the part of the Farmers Home Administration, it has been reported that some farm credit system lenders in the Columbia district are reluctant to extend credit to farmers who have outstanding Farmers Home Administration loans. I understand this is contrary to the policy set by the Federal Farm Credit Board. I hope you will look into this problem.

Reply. It would be inconsistent with Federal Farm Credit Board policy if associations in any district ignored applications from eligible and credit-worthy farmers. As a member of the Federal Farm Credit Board I will request Governor Wilkinson to direct his staff to investigate those reports. My understanding is that the Farm Credit Administration takes complaints of this sort very seriously. Of course, it would not be appropriate for System institutions to take up a loan simply because the Farmers Home Administration is willing to subordinate its claim. There are cases when doing so would simply not be a sound business practice. Credit judgments must be made on a case by case basis.

PROVIDING DISCOUNTING PRIVILEGES TO BANKS

The Farm Credit Administration has been given a mandate from Congress to allow greater access by banks to federal intermediate credit bank discounting privileges. Do you see this as helping a significant number of farmers get the operating credit they need?

Reply. I certainly hope so—at least on the long run. At present the amount provided to other financing institutions by FICBs is relatively small when compared to the total amount outstanding. However, the Farm Credit Act Amendments of 1980 should and I believe will make an important difference. I am told that the Farm Credit Administration is committed to implementing the 1980 Amendments in a way which will ensure that community banks in rural areas which have a proven need for funds and commitment to agriculture will obtain access to the FICB discount facility. If commercial banks respond positively to this opportunity, I believe that agricultural producers will be the long term beneficiary.

GAO RECOMMENDATION ON AUDITS

A General Accounting Office report released last January recommended that the Farm Credit Board establish a permanent, independent internal audit unit within the Farm Credit Administration. GAO's concern was that existing audit procedures were not independent and therefore did not meet professional internal audit standards. Would you comment on that GAO recommendation?

Reply. After talking with Governor Wilkinson, I understand that although Farm Credit Administration has been satisfied in the past with the internal audit activity of its Office of Examination, it is establishing an internal audit unit at an appropriate level in the Agency. Initially, the unit will most likely consist of one person reporting to a senior official in the Office of the Governor.

COOPERATIVE LEAGUE OF THE USA,
Washington, D.C., December 8, 1981.

Senator JESSE A. HELMS,
Chairman, Senate Agriculture Committee,
Washington, D.C.

DEAR SENATOR HELMS: The Cooperative League of the USA strongly supports the appointment of Ralph Bail as a member of the Federal Farm Credit Board. The Cooperative League is a national association of all types of cooperatives which have combined membership of more than 45 million Americans. Cooperatives including the Farm Credit System are owned and controlled by the members they serve.

Ralph Ball has the background and experience necessary to establish policy for the Farm Credit Administration as a member of the Federal Farm Credit Board. In addition, his willingness to represent and serve his fellow farmers, the users of the Federal Farm Credit System, is in the finest tradition of the cooperative movement. We support his nomination and urge his confirmation as soon as is possible.

Sincerely,

E. MORGAN WILLIAMS, *President.*